

Message Text

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TO AMEMBASSY SAIGON

C O N F I D E N T I A L STATE 079093

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E. O. 11652: GDS

SUBJECT: POSSIBLE TAKEOVER OF OICC CONSTRUCTION
ACTIVITIES

1. DOD HAS APPROACHED AID/ W ON POSSIBILITY THAT USAID
MIGHT ASSUME RESPONSIBILITY FOR CERTAIN CONSTRUCTION
ACTIVITIES IN VIETNAM WHICH HAVE PREVIOUSLY BEEN
ADMINISTERED THROUGH THE NAVY OFFICER IN CHARGE OF
CONSTRUCTION (OICC) OFFICE IN SAIGON. RESPONSIBILITY
MIGHT BE PASSED TO USAID AS AGENT FOR CONTRACTING AND
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CONTRACT ADMINISTRATION ON BEHALF OF THE DOD AGENCY FUND-
ING THE ACTIVITIES, OR THE ACTIVITIES MIGHT BE FUNDED
THROUGH AID/ WTO USAID FOR IMPLEMENTATION IN A MANNER
SIMILAR TO PRESENT DOD REIMBURSABLE HIGHWAY ACTIVITIES.

2. THE ACTIVITIES UNDER CONSIDERATION ARE BRIEFLY DESCRIBED BELOW IN FOUR GENERAL CATEGORIES -- HIGHWAY RESTORATION, INDUSTRIAL FACILITIES, A HOSPITAL, AND OTHER CONSTRUCTION. DOD ESTIMATES THAT THE WORKLOAD TO BE TRANSFERRED TO USAID WOULD BE APPROXIMATELY THE SAME AS THAT NOW CARRIED BY OICC/ VIETNAM CIVILIAN STAFF OF 25 AMERICANS, 15 TCNS, AND OVER 100 VIETNAMESE EMPLOYEES. WE WOULD EXPECT TO USE A/ E FIRMS TO PERFORM MUCH OF THE SUPERVISION OF CONSTRUCTION WHICH OICC PERFORMS WITH ITS OWN STAFF (PERHAPS ONE CONTRACT COVERING THE HIGHWAY ACTIVITIES AND ONE COVERING ALL OTHER). NEVERTHELESS WE DO NOT ANTICIPATE THAT ANY ADDITIONAL PERSONNEL SPACES WOULD BE PROVIDED FOR THIS PURPOSE. MISSION SHOULD NOTE THAT COMPLETION DATES FOR SOME ACTIVITIES EXTEND TO SEPT. 1975 AND SHOULD EVALUATE WORKLOAD IMPACT AGAINST OTHER MISSION PRIORITIES WELL INTO FY 76.

3. HIGHWAY RESTORATION: WORK IN PROGRESS AS PART OF LOC PROGRAM INCLUDES: (A) " LUMP SUM II" MAJOR UPGRADE OF 98 KM OF LTL 9, 10 AND 27 (ESTIMATED \$5.9 MILLION); (B) " LUMP SUM III" UPGRADE OF LTL 31 OF 42 KM. (\$1.9 MILLION); (C) FOUR BRIDGES ON QLI(\$530,000). ALL THESE PROJECTS ARE NOW IN PROGRESS AND WOULD BE TURNED OVER TO USAID ABOUT JUNE 30, 1973.

4. FUNDED BUT NOT YET UNDER CONTRACT ARE: (A) UPGRADE OF QLL FROM CU CHI TO GO DAU HA, 28 KM. (\$1.7 MILLION); (B) SIX BRIDGE APPROACHES ON LTL 27 (\$300,000). DESIGN WORK ON THESE PROJECTS MAY NOT BE COMPLETE, BUT CONSTRUCTION WOULD BE SCHEDULED TO BEGIN JULY 1973.

5. PROJECTS NOT YET FUNDED ARE: (A) SENTRY WALKS ON FIVE BRIDGES IN THE SAIGON AREA (\$200,000); (B) ADDITIONAL MOVEABLE/ ELEVATING SPANS ON THESE BRIDGES (\$1.5 MILLION); (C) UPGRADE SHOULDERS ON QL 13 ADDITIONAL
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AND QL 22 TO BRING ROAD SECTIONS UP TO NATIONAL ROUTE CLEARANCE AND DRAINAGE STANDARDS (\$2 MILLION). AID/ W SEES NO PROBLEM WITH ADDING ABOVE ACTIVITIES TO THE DOD-REIMBURSABLE HIGHWAY PROGRAM ALREADY ADMINISTERED BY USAID. HOWEVER, WOULD EXPECT USAID TO REVIEW WITH DGOH REQUIREMENTS FOR THESE HIGHWAY IMPROVEMENTS TO MAKE SURE THEY ARE STILL PART OF HIGHWAY PROGRAM PRIORITIES.

6. OTHER HIGHWAY- RELATED ACTIVITIES UNDER CONSIDERATION INCLUDE CONTINUED OPERATION OF THE NUI SAP ROCK QUARRY. THIS IS NOW FUNDED THROUGH 31 DEC. 1973 UNDER THE DELTA ROCK AGENCY ARRANGEMENTS. AID/ W FEELS THAT THIS WILL BE A CONVENIENT CUT- OFF POINT FOR US OPERATION OF THE QUARRY AND ALL US OPERATIONAL RESPONSIBILITY SHOULD BE TURNED

OVER TO THE DGOH DURING THIS FINAL CONTRACT PERIOD.

7. A FURTHER HIGHWAY- RELATED ACTIVITY (NOT YET FUNDED) PROPOSED FOR USAID TAKEOVER IS THE SUPPORT OF NINE ARVN ENGINEER BATTALIONS PERFORMING LOC UPGRADE FOR THE DGOH. THIS ACTIVITY INCLUDES ASSISTANCE FOR OPERATION OF QUARRY AND ASPHALT PLANT AND OTHER HIGHWAY CONSTRUCTION SUPPORT AS WELL AS DIRECT CONSTRUCTION OF DESIGNATED (600 KMS) SECTIONS OF LOC HIGHWAYS. THIS SUPPORT IS DIVIDED INTO: (A) CONTRACTOR TECHNICAL ADVISORY SERVICES (\$8 MILLION PROPOSED IN FY 74 AND \$5 MILLION IN FY 75); AND (B) MATERIALS -- ASPHALT, CEMENT, STEEL, ETC. -- (\$6.5 MILLION). AID/ W HAS SERIOUS DOUBTS THAT USAID WILL BE IN A POSITION TO EFFECTIVELY MANAGE AND MONITOR SUCH ASSISTANCE TO ARVN UNITS, PARTICULARLY AS IT WOULD BE SPREAD OVER A NUMBER OF SITES AROUND THE COUNTRY. IF USAID BELIEVES IT USEFUL, WE EXPLORE ALTERNATIVE OF PLACING THIS PORTION LOC SUPPORT FUNDS IN AID/ DOD REIMBURSABLE PROJECT 294. IN ANY EVENT, INsofar AS PROVISION OF ADVISORY SERVICES TO ARVN IN CONNECTION WITH OPERATION OF QUARRY AND ASPHALT PLANT IS CONCERNED, SUCH ADVISORY SERVICES ARE PRECLUDED AFTER X PLUS 60 UNDER ARTICLE 5 OF VIETNAM AGREEMENT. IF SUCH SERVICES ARE TO BE CONTINUED, GVN SHOULD BE APPRISED OF THIS DIFFICULTY SO THAT ARRANGEMENTS CAN BE MADE TO HAVE OPERATION OF QUARRY, ASPHALT PLANTS, ETC. TAKEN OVER FROM ARVN BY DGOH, CONFIDENTIAL

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VECCO OR OTHER CIVILIAN AGENCY AS SOON AS POSSIBLE.

8. INDUSTRIAL FACILITIES: THE PROPOSED ACTIVITIES CAN ROUGHLY BE DIVIDED INTO: (A) ELECTRICAL UPGRADE, PERMITTING USE OF COMMERCIAL POWER AND OTHERWISE IMPROVING ELECTRICAL DISTRIBUTION; AND (B) PRODUCTIVE FACILITIES OPERATED BY ARVN. IN THE FORMER CATEGORY, WORK AT THE VUNG TAU SIGNAL SCHOOL (\$345,000) BEGAN IN FEB. AND IS DUE FOR COMPLETION MARCH 1974. USAID IS PROBABLY THE ONLY USG AGENCY IN VIETNAM CAPABLE OF COMPLETING CONTRACT SUPERVISION ON THIS JOB. TWO OTHER ACTIVITIES (TO TIE MILITARY FACILITIES INTO COMMERCIAL POWER SERVICE) ARE NOT YET DESIGNED -- THE NAVAL FACILITY AT CAT LAI (\$94,000) AND THE INFANTRY SCHOOL, LONG THAN (\$170,000).

9. IMPROVEMENTS TO ARVN PRODUCTIVE FACILITIES WOULD INCLUDE: (A) UPGRADE OF THE ARVN CLOTHING FACTORY TO REDUCE SAFETY HAZARDS (FIRE, ELECTRICAL) ESTIMATED TO START IN AUGUST AND TO REQUIRE ONE YEAR (\$301,000). THIS WOULD PROBABLY INVOLVE CONSIDERABLE SUPERVISION OF MODIFICATIONS OF THE 1903 FRENCH- BUILT FACILITY. ALSO WOULD IDENTIFY USAID WITH HELPING MAINTAIN A MILITARY INSTALLATION DIRECTLY COMPETING IN AN ECONOMIC AREA NORMALLY SERVED BY CIVILIAN MANUFACTURERS. AID/ W HAS

SERIOUS DOUBTS ABOUT WISDOM OF TAKING ON SUCH AN ACTIVITY;
(B) FUEL STORAGE -- CONSTRUCTION OF FOUNDATIONS FOR FIVE
TANKS AND RELATED FACILITIES AT THE 30 TH PETROLEUM
STORAGE BASE DEPOT -- (\$330,000). WHILE THIS FACILITY
WOULD IMPROVE GENERAL POL HANDLING AND STORAGE IN THE
SAIGON AREA FOR CIVILIAN AS WELL AS MILITARY USE, THIS
ACTIVITY WOULD APPEAR TO INVOLVE USAID IN SUPERVISING
CONSTRUCTION UNRELATED TO NORMAL USAID FUNCTIONS. AID/ W
HAS SERIOUS DOUBTS ABOUT BECOMING INVOLVED IN IT; (C)
TWO CONTRACTS TO UPGRADE THE ARSENAL FOUNDRY FACILITY:
ONE, TO CONVERT AN EXISTING FACILITY BY INSTALLING 47
PIECES OF FOUNDRY EQUIPMENT, PROVIDING A HEAVY PARTS
MANUFACTURING CAPABILITY (192,000); AND THE OTHER TO
IMPROVE AN EXISTING FACILITY UP TO MAJOR REBUILD
CAPABILITY (\$985,000). THESE ARE PROPOSED FOR TRANSFER
TO USAID AFTER COMPLETION OF DESIGN. AID/ W HAS SERIOUS
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DOUBTS ABOUT THE WISDOM OF TAKING ON THIS ACTIVITY WHICH
WOULD INVOLVE USAID IN ASSISTING ARVN TO DEVELOP A MAIN-
TENANCE AND REBUILD CAPACITY FOR WEAPONS AND WHICH MIGHT
ALSO COMPETE WITH CIVILIAN FACILITIES FOR REPAIRING
HEAVY EQUIPMENT.

10. HOSPITAL: BIDS ARE ABOUT TO BE RECEIVED FOR
CONSTRUCTION OF 450- BED HOSPITAL TO PERMIT RELOCATION
OUT OF THE BUILDINGS OF THE MILITARY MEDICAL SCHOOL OF A
FULL PRIMARY HOSPITAL AND DISPENSORY IN THE PHU THO AREA
FOR MILITARY PERSONNEL AND DEPENDENTS AND VETERANS
(\$2,387,000). AID/ W BELIEVES THIS PROJECT HAS BEEN
DISCUSSED WITH USAID/ PH AND WOULD BE DESIRABLE AS PART OF
TOTAL HEALTH SERVICES FOR GENERAL POPULATION. HOWEVER,
WE ARE CONCERNED TO ASSURE THAT ALL APPROPRIATE GVN
HEALTH AND DEFENSE MINISTRY AUTHORITIES ARE SATISFIED WITH
THE DESIGN AND SEPARATELY FUNDED EQUIPMENT AND THAT THEY
ACCEPT RESPONSIBILITY FOR MAINTENANCE AND OPERATION OF
THIS FACILITY SO THAT THE AID ROLE WILL BE STRICTLY
LIMITED TO SERVING AS AGENT OF DOD FOR CARRYING OUT
CONSTRUCTION.

11. OTHER CONSTRUCTION: (A) A SMALL (\$50,000) PAVING
CONTRACT " SAIGON PORT II" SCHEDULED TO START IN APRIL
AND PROBABLY UTILIZING AID FUNDS. MORE PRECISE INFOR-
MATION NOT AVAILABLE TO AID/ W, BUT THIS APPEARS TO BE
IMPROVEMENTS TO BARRACKS AT PERSHING FIELD (\$90,000) AND
AT FORMER MACV COMPOUND NOW BELONGING TO EMBASSY
(\$150,000). NEITHER OF THESE HAS BEGUN AND USAID MAY
WISH TO CHECK EXACT PROPOSED USES OF THESE BUILDINGS TO
DETERMINE WHETHER THIS WORK OF CONTINUING INTEREST TO
US MISSION; (C) PROPOSED IMPROVEMENTS TO THE 54 TH
ENGINEERING FACILITY TO IMPROVE ADMINISTRATION BUILDINGS
(\$210,000). THIS LAST WORK IS SCHEDULED TO START IN

SEPT.

12. BEFORE AID/ W RESPONDS TO DOD DEFINITELY, USAID
COMMENT ON ABOVE ACTIVITIES IS REQUESTED. IF REPLY
ON TOTAL PROPOSED TRANSFER OF ACTIVITIES WILL BE DELAYED,
MISSION COMMENT ON PROPOSED HOSPITAL CONSTRUCTION (PARA
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10 ABOVE) SHOULD BE SENT SEPARATELY TO ENABLE PROMPT
PROCESSING OF BID OPENING SCHEDULED EARLY MAY. AID/ W
SEPARATELY CONSULTING STATE DEPT. ON THESE PROPOSALS.
ENTIRE MATTER UNDER ITEM- BY- ITEM REVIEW BY AID/ W.

13. CONSIDERING MANPOWER AVAILABLE FOR NEXT FY, USAID
COMMENT REQUESTED WITH RESPECT TO MISSION CAPABILITY TO
TAKE ON PROPOSED OICC RESPONSIBILITY, MANPOWER IMPACT
IF ANY ON ALL OF PROPOSED ACTIVITIES.

14. DOD- ASD(I AND L) INFORMED. ROGERS

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